

TIPS

Tips received by the employee from the customer in the form of cash, check, or any other monetary item of exchange are wages subject to Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance (SDI), and state Personal Income Tax (PIT), if they total \$20 or more in a month, provided the employee includes the amount in a written statement furnished to the employer.

If tips are received by the employee from the employer such as banquet tips or service charges, then the amount is considered regular wages and is fully subject to UI, ETT, SDI and PIT withholdings.

Subject tips should be combined with regular wages on payroll reports (in boxes G and H, on the DE 6, Quarterly Wage and Withholding Report) filed with this Department.

HOW TO REPORT TIPS

Use the following chart to determine reporting responsibility:

RESPONSIBLE PERSON	ACTION
Employee	<ul style="list-style-type: none"> Employees receiving cash tips over \$20 during a calendar month should report all cash tips to their employer. Employees should use a Report of Tips to Employers (Federal Form 4070), or prepare a written statement, in duplicate, and provide the following information: <ul style="list-style-type: none"> - Employee's name, address and SSA number. - Employer's name and address. - Calendar month or other period covered by the report. <p>Total amount of tips received.</p> <p>Date of the report.</p>

RESPONSIBLE PERSON	ACTION
Employee (cont'd)	<ul style="list-style-type: none"> Employees should sign the 4070/ written statement. Employees should give the 4070/ written statement to their employer on or before the 10th day of the month following the month in which the tips were earned. Upon termination of employment, the employee must furnish a statement of tips received which have not previously been reported to his or her employer.
Employer	<p>Upon receipt of the tip information:</p> <ul style="list-style-type: none"> Sign and date both copies of the tip reporting document, keep the original for your records, and return the duplicate to the employee. For reporting purposes, tips are deemed to be earned at the time the written statement is furnished to the employer. <p><i>Example (1)</i> An employee received \$40 in tips in the month of May. The employee reports to the employer on June 10. The tips received in May would be reported on the second quarter return (DE 6).</p> <p><i>Example (2)</i> In the example above the employee received the \$40 in the month of June and reports the tips to the employer on July 10. The tips received would be reported on the third quarter return (DE 6).</p> <p><i>Example (3)</i> As in example (2) the employee received \$40 in June; however, the employee reported</p>

RESPONSIBLE PERSON	ACTION
Employer (cont'd)	<p>the \$40 in tips for that month on June 30. The tips received would be reported on the second quarter return (DE 6).</p> <p>Combine tips with regular wages on payroll reports to this Department under "Total Wages Paid This Quarter," in boxes G and H on the DE 6, Quarterly Wage and Withholding Report.</p> <p>SDI contributions and PIT may be collected directly from:</p> <ul style="list-style-type: none"> • Wages payable at the time of the report of tips is filed by the worker. • Wages that become payable after the report is received. • The employee at the time or after he or she files the report. <p>If the employer is unable to collect the SDI and PIT from the employee and the amount of wages due the employee is insufficient to cover the withholdings, the employer can supply the employee with a DE 370, Statement of Amount Due from Worker, available from this Department. Completion of the DE 370 or similar statement will relieve the employer of the uncollected employee liability.</p>

RESPONSIBLE PERSON	ACTION
Employer (cont'd)	<p>The DE 370 or similar statement must be issued in quadruplicate and distributed as follows:</p> <ul style="list-style-type: none"> • Original and one copy to the worker. • Second copy to be attached to the DE 7, Annual Reconciliation Statement, and sent to the Department. • Third copy to be retained in the employer's record. <p>In the event the employer estimates or allocates the amount of tips received by the employee, the employer will reconcile the estimate or allocation with the actual amount of tips reported by such employee and adjust for any differences. The employer should adjust for any differences between the amount of SDI and PIT withheld and the amount due as indicated by the statement submitted by the employee. The actual amount of tips reported by the employee will be reflected on the DE 6 filed for the quarter.</p>

Form DE 370 may be obtained from your local Employment Tax Customer Service Office. A listing of the office nearest you can be found in the California Employer's Guide (DE 44) or your local telephone white pages under Government Listings—State Government Offices—Employment Development Department—Employment Tax Information—Employer Tax Forms.

Equal Opportunity Employer/Program. Auxiliary services and assistance available to persons with disabilities.